

## Message Text

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TO AMEMBASSY TOKYO

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E.O.11652: GDS

TAGS:EAID, EG, JA

SUBJT:JAPANESE PARTICIPATION IN FINANCIAL AID TO EGYPT

REF: A STATE 133619 B.TOKYO 7545

1. SUMMARY: UNDER SECRETARIES SISCO AND ROBINSON CLARIFIED FOR JAPANESE AMBASSADOR US THINKING REGARDING AMOUNTS AND CONDITIONS FOR AID PACKAGE FOR EGYPT, STRESSING THAT \$100 MILLION WAS FIGURE US BELIEVED APPROPRIATE FOR JAPAN FOR REMAINDER OF 1975. SPEAKING PERSONALLY AMBASSADOR SUGGESTED THAT IF WORLD BANK WERE TO PLAY CENTRAL ROLE IN ORGANIZING INTERNATIONAL AID TO EGYPT, GOJ DECISION MIGHT BE EXPEDITED. ROBINSON CLARIFIED IBRD'S ADVISORY ROLE IN EGYPT AND EGYPTIAN ATTITUDES REGARDING BANK ROLE AND URGED YASUKAWA TO CONTACT IBRD VICE PRESIDENT FOR CORROBORATION REGARDING EGYPT'S NEEDS. END SUMMARY.

2. AMB. YASUKAWA SOUGHT FURTHER CLARIFICATION OF EGYPTIAN AID PACKAGE IN SEPARATE MEETINGS WITH UNDER SECRETARIES SISCO AND ROBINSON JUNE 16. POATS PARTICIPATED IN LATTER CONFIDENTIAL

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MEETING. YASUKAWA STATED THAT GOJ HAD AID TO EGYPT UNDER STUDY, BUT THAT CONFLICTING REPORTS OF EGYPTIAN NEEDS AND PORTION DESIRED FROM JAPAN MADE IT DIFFICULT FOR GOJ TO PROCEED. ORIGINAL FIGURE CITED BY USG HAD BEEN OVERALL

PACKAGE OF \$1 BILLION OF CURRENT IMPORT FINANCING WITH \$100 MILLION JAPANESE PORTION. SUBSEQUENTLY EGYPTIAN FOREIGN MINISTER FAHMY IN CONVERSATION REPORTED REF B, HAD SPOKEN OF \$3 BILLION WITH \$200 MILLION COMING FROM JAPAN. AMB. TOLD ROBINSON EMBASSY HAD JUST RECEIVED COPY OF CABLE REPORTING AMB. EILTS EXPLANATION TO JAPANESE AMBASSADOR IN CAIRO THAT GOE'S \$3 BILLION INCLUDED \$1.5 BILLION TO REFINANCE EGYPT'S SHORT TERM DEBT. IN BOTH CONVERSATIONS YASUKAWA OFFERED AS PERSONAL RATHER THAN OFFICIAL VIEW SUGGESTION THAT WORLD BANK PLAY ROLE IN CLARIFYING EXACT NATURE OF EGYPT'S NEEDS AND GUIDELINES UNDER WHICH AID SHOULD BE PROVIDED. HE NOTED THAT IBRD PRESIDENT MCNAMARA HAD INFORMED HIM THAT USG HAD REQUESTED HIS ASSISTANCE AND THAT BANK STOOD READY TO HELP, IF GOE WERE TO MAKE REQUEST. YASUKAWA TOLD ROBINSON HE BELIEVED GOJ DECISION MIGHT BE ACCELERATED IF IBRD WERE TO COME UP WITH OVERALL PLAN.

3. SISCO STATED THAT US HAD DISCUSSED \$1.5 BILLION AID TOTAL WITH GOE WITH \$100 MILLION MENTIONED AS APPROPRIATE CONTRIBUTION FROM JAPAN. NATURALLY EGYPT WOULD LIKE TO OBTAIN \$200 MILLION FROM JAPAN, BUT USG HAD NOT TALKED ABOUT THIS AMOUNT. SISCO SAID USG CONSIDERED WORLD BANK INVOLVEMENT ESSENTIAL TO MONITOR EGYPT'S USE OF AID. HE EMPHASIZED THAT JAPAN AND US HAVE PARALLEL POLITICAL INTEREST IN HELPING EGYPT DEAL WITH HER PRESENT ECONOMIC DIFFICULTIES.

4. ROBINSON EXPLAINED THAT US HAD AGREED TO ASSIST GOE IN SOLICITING FINANCIAL SUPPORT. US ROLE WAS CONDITIONED ON GOE AGREEMENT THAT (A) IT WOULD NOT MAKE NET REPAYMENTS ON DEBTS TO MAJOR FOREIGN OFFICIAL CREDITORS AND (B) GOE WOULD CONSULT IBRD IN DEVELOPING MORE RATIONAL MANAGEMENT OF ITS FOREIGN EXCHANGE. IN ADDITION EGYPT WAS URGED TO CLARIFY RULES APPLYING TO FOREIGN PRIVATE INVESTMENT, INCLUDING APPLICABLE TAX AND FOREIGN EXCHANGE RATES.

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5. ROBINSON SAID \$3 BILLION FIGURE USED BY EGYPT INCLUDED AT LEAST \$1.5 BILLION IN REFINANCING OF SHORT-TERM COMMERCIAL BANK DEBT (FOR WHICH IT IS SEEKING ARAB CASH LOANS) AND SOME FUNDS FOR EARLY 1976. USG BELIEVED THAT EGYPT SHOULD EXERCISE GREATER SELF-DISCIPLINE AND THAT \$1 BILLION WAS ADEQUATE FOR BALANCE OF 1975, INCLUDING \$250 MILLION FROM US, MATCHED BY \$100 MILLION EACH FROM JAPAN AND FRG AND \$50 MILLION FROM FRANCE. GOE, HE SAID, COULD ACHIEVE SAVINGS BY SLOWING DOWN CAPITAL INVESTMENTS FOR WHICH PROJECT FUNDS ARE NOT CURRENTLY AVAILABLE, BY RESCHEDULING EXISTING BILATERAL DEBT TO EASTERN EUROPE/ USSR AND BY ECONOMIZING ON IMPORTS OF CONSUMER GOODS.

6. ROBINSON SAID ROLE OF IBRD WAS TO PROVIDE ADVICE TO GOE ON MANAGING ITS FOREIGN EXCHANGE AND IN ESTABLISHING ITS ECONOMIC PRIORITIES. POATS DESCRIBED INDEPENDENT WORK OF IBRD TEAM NOW IN EGYPT AND NOTED THAT IBRD VICE PRESIDENT FOR MIDDLE EAST WAS PREPARED TO RECOMMEND THAT BANK CONTINUE ITS LENDING PROGRAM AT PRESENT \$200 MILLION LEVEL. HOWEVER, IBRD HAD NEITHER BEEN ASKED NOR VOLUNTEERED TO BE CENTER OF CONSORTIUM FOR EGYPT. SUCH A ROLE WAS NOT DESIRED BY EGYPT, WHICH COUNTS OTHER ARAB COUNTRIES AS ITS LARGEST DONORS AND FOR DOMESTIC POLITICAL REASONS DOES NOT WANT AT THIS TIME TO GO THROUGH A BELT-TIGHTENING REGIME UNDER IBRD TUTELAGE. A CENTRAL COORDINATION ROLE FOR THE BANK IS ALSO NOT DESIRED BY THE OTHER ARAB COUNTRIES, ALTHOUGH SAUDI ARABIA, ALONG WITH IRAN, WISHES BANK TO CONTINUE TO ASSIST EGYPT IN MANAGEMENT OF ITS ECONOMY. YASUKAWA ASKED IF, INSTEAD OF HEADING CONSORTIUM, IBRD MIGHT SIMPLY CALL A MEETING OF DONORS UNDER ITS AUSPICES. ROBINSON SAID HE WOULD NOT RULE OUT SUCH A MECHANISM AS MEANS OF EVALUATING AID PROGRAM FROM TIME TO TIME. POATS URGED YASUKAWA TO CONTACT IBRD VICE PRESIDENT BENJENK FOR CORROBORATION OF US VIEWS REGARDING GOE NEEDS, BUT SUGGESTED THAT FOR PUBLIC RELATIONS REASONS GOE WOULD BE RELUCTANT TO HAVE IBRD CALL DONOR MEETING ANY TIME SOON. KISSINGER

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